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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

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29 March 1983

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Constantine C. Menges
National Intelligence Officer for Latin America

SUBJECT: Latin America - Warning Meeting - March 1983

Nicaragua

1. Increased anti-Sandinista activity well inside Nicaragua's borders is causing major problems for the Nicaraguan government, but the regime is not seriously threatened. The Sandinistas have yet to commit regular forces in battle with the insurgents, which may reflect Cuban advice to use the militia and reserve forces to deal with general insurgency while deploying the army for specific missions against well-defined groups. NIO/LA observed, however, that Managua may be holding the army in reserve until "encircle and annihilate" operations can be mounted. The Nicaraguans may try to provoke more border clashes to bolster their claims of Honduran aggression at the UN, but we believe that the prospects for a large-scale cross-border attack remain low.

2. The population basically supports whichever group is active in the region at the time. Some militia members have defected, but defections by army officers--a more serious concern--have not yet been noted. Popular support for the anti-Sandinista cause could grow, however, if exile leader Eden Pastora successfully begins military operations as planned in southern Nicaragua by 15 April.

3. The Sandinistas are likely to cite their problems with the insurgents as an excuse for further curtailing political activity. Measures aimed against the Church, such as a recent proposal to put a greater Sandinista imprint on the educational system, are more likely to be resisted in the wake of the Pope's visit which has strengthened Archbishop Obando y Bravo's hand in dealing with the regime. Widespread disturbances or demonstrations against the government are still deemed unlikely, although some minor clashes are possible if the Directorate takes precipitate action, particularly during Holy Week.

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El Salvador

4. Military activity has declined somewhat during the past month as the insurgents have turned their attention to regrouping and resupply. The military remains preoccupied over the question of Defense Minister Garcia's status and has not taken advantage of the lull to bring the war to the insurgents. Garcia appears to have strengthened his position recently; if he refuses to step down voluntarily, there could be strong pressures, especially within the Air Force, to take direct action to force him out. Over the longer term, such unrest in the military is likely to have a major debilitating effect on the government's ability to pursue the war and to maintain the momentum of the reforms.

5. On the political front, notable progress has been made with the formation of a peace commission, the extension of the land reform, the announcement of new bank reform measures, and the rescheduling of elections for December. Analysts note, however, that failure by the Christian Democrats to choose between Foreign Minister Chavez Mena or former president Duarte as their candidate in the elections could split the party, undermining center-right hopes to regain control of the presidency.

Guatemala

6. Most of the recent reports of coup plotting can be traced to exiled rightwing agitator Sisniega. The Guatemalan security services appear to be aware of his machinations, and Sisniega probably lacks the support to pull off a coup. Disenchantment within senior military ranks over recent Rios Montt policies, however, appears to be growing. Military objections revolve around ending of the state of seige, the amnesty program, and the government's handling of the counterinsurgency campaign and the recent murders of three AID employees. His hold on power remains tenuous but he probably enjoys the support of enough key military officers to put down a move against him.

7. The promised insurgent offensive has yet to materialize, suggesting that there still are serious problems within guerrilla ranks. In view of their poor performance in recent months and the government's recently-announced political liberalization program, the guerrillas might decide to shift their efforts to the political arena with the intent of organizing broadly-based leftist fronts as well as subverting the transition process.

Venezuela

8. The drop in the oil price has created serious economic problems for the Venezuelan government. Capital flight totalling at least 5 billion dollars last year and the reluctance of international bankers to roll over Venezuela's short term debt are but two reflections of the recent dramatic loss of confidence in the government. The Herrera administration's inability to deal with increasing financial difficulties also appears to be generating discontent among junior military officers. There have been some recent rumors

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of coup plotting within the military, but key officers continue to support the government, and we believe it highly unlikely that the military would intervene. The next month should prove a critical period for the Herrera administration. Labor has been fairly quiescent so far, hoping for a change in administration after the December elections, but continued economic deterioration and harsher austerity measures could provoke some riots and strike activity.

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Constantine Menges
Constantine C. Menges

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